

REPORT FOLLOW-UP

AGENCY: DEPARTMENT OF HEALTH AND WELFARE

On June 16, 2004, the Legislative Services Office released a Management Letter for the Idaho Department of Health and Welfare for fiscal year 2003. The Department was contacted on September 15, 2004, and this follow-up report addresses how the Department has responded to the eight findings and recommendations contained in that report, as well as the three outstanding prior findings and recommendations.

STATUS OF RECOMMENDATIONS:

FINDING #1: Idaho's food stamp error rate has increased to 15% over the past several years and could result in sanctions on the State.

We recommended that the Department establish a plan for a long-term solution to reduce the food stamp error rate and avoid potential sanctions by the federal program. This could include reviewing current staff resources, reassigning existing resources, evaluating the cost-effectiveness of contracted staff, improving technology, additional training, and ongoing monitoring.

We also recommended that systems and processes of other states be evaluated and adopted to improve the accuracy and success of Idaho's food stamp program.

Department's Original Response: The Department agrees with this finding. We have implemented a plan of correction that uses nationwide best practices. In June 2003, the program performed a review of open food stamp cases. Errors were identified, corrected and their causes determined. As a result, we now review all cases identified as error prone and we have provided necessary refresher training. Following federal recommendations, we simplified reporting requirements for families already enrolled in the program. We also have implemented a more vigorous standard for case review.

The Department believes these changes will bring the food stamp error rate to an acceptable level. We will continue to monitor resource allocation. If these measures are insufficient, additional resources will be sought from within the Department or through a Decision Unit.

Any reduction in the error rate will reduce the potential penalty. However, with four months left in the federal fiscal year, it may be impossible to avoid a penalty.

AUDIT FOLLOW-UP: The Department has developed and implemented training, monitoring, and review programs, and has realigned staff and resources which have reduced the error rates over the past several months. The improvements in error rates and focused efforts have reduced the likelihood of a federal sanction. However, payment errors and the number of clients improperly denied assistance continue to be higher than the national average. Additional time and resources are needed to further reduce these errors and provide a sustained solution to this issue.

STATUS: OPEN

FINDING #2: Additional options to recover food stamp overpayments could be pursued.

We recommended that the Department study all options allowed by federal regulations for recovery of overpayments and devise a plan for implementing appropriate options, particularly for those overpayments resulting from intentional client errors. Options should include, but not be limited to, seeking amendments to the Idaho Code.

Department's Original Response: The Department agrees with this finding. The Department will form a work group to critically review the performance of our current practices, policies and rules surrounding the collection of food stamp overpayments, their impact on households with food stamp overpayments, and any needed statutory changes. The measures currently in place to reduce the error rate will reduce the program's overpayments. The Department will continue to pursue food stamp overpayments through the consolidated Collections Unit that was implemented during fiscal year 2003.

AUDIT FOLLOW-UP: The division formed a work group to evaluate options to recover food stamp overpayments. Additional methods and opportunities to recover overpayments, including those that may require statutory changes, have been evaluated and will be implemented as appropriate.

STATUS: CLOSED

FINDING #3: No monitoring has occurred to ensure that Nutrition Education expenditures meet program objectives.

We recommended that the Department develop performance requirements under the Nutrition Education contract with the University of Idaho that follow the limits and intentions established by federal regulations.

We also recommended that the Department perform and document site visits, file reviews, and other monitoring efforts designed to ensure program funds are used for appropriate services to eligible clients.

Department's Original Response: The Department agrees with this finding. This spring, the Department will begin contract renegotiations with the contractor (currently, the University of Idaho) to administer Idaho's Nutrition Education Program. The new contract will include performance requirements that follow the limits and intentions of that program's regulations. The Department will document site visits, file reviews, and other monitoring efforts to ensure program funds are used for appropriate services to eligible clients.

AUDIT FOLLOW-UP: The Department has initiated changes to the performance and monitoring requirements of the contract and assigned program oversight to the Contracts and External Resource Management (CERM) team who will perform site visits, file reviews, and other tests to ensure program objectives are met.

STATUS: CLOSED

FINDING #4: Errors in child support debt balances remain uncorrected for over 3 years.

We recommended that the Department correct debt balance errors identified by the contractor, establish controls and limits to reduce the opportunity for financial errors, and coordinate these efforts with the new contractor to analyze and correct all child support debts. Processes are also needed to evaluate all debt balances annually for accuracy and to reassess the recommendations of the contractor to prioritize and implement potential enhancements to the automated system.

We also recommended that the Department suspend the credit reporting process until procedures are in place that ensure debt balances are accurate and errors are corrected promptly.

Department's Original Response: The Department agrees with this finding. Since this audit the Department has taken steps to reduce the errors in debt balances. Child Support has implemented controls, coordinated efforts with a new contractor, begun analyzing and correcting debt balances, and evaluated enhancements to the system. Child Support added a second level of approval for adjustments to improve control. The Child Support Program created a financial audit team to coordinate case audits and evaluations with the new contractor. The new contract provides for the audit of 400 cases each month and regular evaluations to suggest enhancements to the system.

There are approximately 71,000 active child support cases, of which nearly 88% have a debt balance. Conducting an annual review of each debt balance is not practical at this time. However, both the case audit team and the monthly case audit contract, along with other changes, will begin to reduce and permanently maintain a lower error rate. Case audits are prioritized, partially based upon debt balance. Finally, the Department has not suspended the credit reporting process because it is a federal requirement. Debit balances greater than \$500 are required to be reported. The Department is developing a process to ensure that debt balances are correct prior to proceeding with credit bureau reporting.

AUDIT FOLLOW-UP: The Department has established a financial audit and policy team to coordinate and evaluate case audits with the contractor. The volume of case audits completed each month has not yet reached 400 due to missing documents in case files and the need for additional policies. As a result, ten temporary staff will be added in October 2004 to enhance the efforts to obtain documents and clean up case files. We will continue to monitor the progress for evaluating and correcting debt balances. The credit reporting process has been adjusted and a new national electronic reporting system will be available beginning in October 2004.

STATUS: OPEN

FINDING #5: Additional federal funds are available if Medicaid costs for family planning services were identified.

We recommended that the Department identify the costs of family planning services in Medicaid claims since March 2003 and seek additional federal funds. Efforts are also needed to establish a process to identify and seek these additional funds on a quarterly basis.

Department's Original Response: The Department agrees with this finding. In February 2003, the Department successfully initiated a pilot project to assess the feasibility of claiming family planning costs under the Family Planning Grant which has a higher federal reimbursement rate. Based on the assessment, the Department identified approximately \$315,000 in additional recoveries. A retroactive claim was filed in September 2003 that included family planning costs paid under Medicaid from April 2001 through March 2003.

As a result of the success of the pilot, the Third Party Recovery contract was amended in January 2004 to support claiming family planning costs annually. The contractor will analyze Medicaid claims data from March to April each year to identify family planning costs that can be reimbursed at a higher rate under the Family Planning Grant.

AUDIT FOLLOW-UP: The federal grantor has determined that the method of identifying additional family planning costs is not adequately supported. Based on the limited amount of additional funds and efforts needed to identify them, the Department has terminated the efforts to collect this data or seek additional federal funds under the Family Planning Grant.

STATUS: CLOSED

FINDING #6: Eligibility for the Children's Health Insurance Program (CHIP) continues to be improperly determined in 20% of cases tested.

We recommended that the Department review case files and remove ineligible clients from the CHIP program. Additional resources and renewed efforts are also needed to complete the development of the new automated system to limit the opportunity for recurring eligibility errors.

We also recommended that the Department negotiate a resolution with the federal grantor concerning the costs for services provided to ineligible clients.

Department's Original Response: The Department agrees with this finding. We are continuing to improve the accuracy of CHIP eligibility determinations. Some actions are in process and others have already been implemented. Case files are reviewed, the automated systems will be completed, and other changes will continue improving eligibility determinations. Besides the successful case review that reduced the enrollment 12%, the Department initiated monthly sampling of open CHIP cases. The automated eligibility determination system is scheduled to be operational in early 2005. The CHIP eligibility determination function is being studied to determine if it can be merged with other Medicaid program eligibility determinations to improve accuracy.

As the audit report shows, the Department has reduced eligibility errors from 25% to 20%. Moreover, the Department has reduced the rate of error for enrolling clients when they are not eligible for other Medicaid programs from 13% to 7%. Continued efforts will reduce this error rate further.

AUDIT FOLLOW-UP: Efforts to identify and move clients enrolled in CHIP who should be in other Medicaid eligibility groups will be completed by December 2004. A quality assurance program will be implemented by December 2004 to review and monitor eligibility to reduce the occurrence of errors.

In addition, several adjustments and fixes were made to the EPICS eligibility system over the past several months, including enhancements to handle the new CHIP-B and ACCESS card programs. Efforts are currently in progress to adapt these enhancements for regular Medicaid and CHIP programs which should improve the accuracy of eligibility determinations. These programming changes are being implemented in phases, by priority, and should be completed by mid-2005. The most critical changes are expected to be in place by December 2004.

STATUS: OPEN

FINDING #7: The need or amount of adoption subsidies for hard-to-place children is not evaluated annually as required by Idaho Code.

We recommended that the Department perform annual evaluations that provide direct assurance of the continued need and amount of adoption subsidies. Efforts should include requiring adoptive parents to return a completed annual evaluation form. The Department should also consider reviewing other public records, such as vital statistics, school enrollment, or Social Security assistance payments to confirm continued eligibility.

Department's Original Response: The Department agrees with this finding. The Department implemented changes to its Adoption Assistance annual review in February 2004. Each family receiving adoption assistance benefits is now required to return an annual review form certifying they are still legally responsible for the child and that they are still in need of the adoption assistance benefits. Families are also provided the opportunity to request re-negotiation of their current benefits at this time. Families must return the form for each child or their benefits will be suspended until the form is received by the Department. The Adoption Assistance Program Agreement has also been amended to instruct families that they must return the annual review form verifying the family is still legally responsible for the child.

AUDIT FOLLOW-UP: The Department has received direct confirmation from 764 of the 766 adoptive families and has terminated the subsidy to two families. Other possible efforts to confirm the continued need and amount of subsidy payments are being evaluated and will be incorporated into the annual evaluation process as necessary.

STATUS: CLOSED

FINDING #8: Errors in the cost allocation process omitted charges to the Child Support and Food Stamp programs.

We recommended that the Department include the child support and food stamp expenditures in the statistics used to allocate financial services costs.

We also recommended that the Department correct monthly allocations for fiscal year 2003, which could generate \$70,000 or more in additional federal funding.

Department's Original Response: The Department agrees with this finding. Management Services changed the Department's cost allocation program to include child support and food stamp transactions. We made an adjustment to recover the additional federal funding in September 2003.

AUDIT FOLLOW-UP: An adjustment was posted in September 2003 to adjust allocated costs for fiscal year 2003, and the statistics used to allocate financial service costs now include activities relating to food stamp and child support transactions.

STATUS: CLOSED

FINDING #9: Funding for community-supported employment and related services is not coordinated or monitored.

We recommended that the Department seek funding to develop a comprehensive monitoring program for community-supported employment and related services. The monitoring program should identify all program costs, funding entities and sources, and include efforts to coordinate services and contracts by various State agencies.

Department's Original Response: The Department agrees with this finding. Responsibility for the oversight of employment services will be transferred to the Department of Vocational Rehabilitation effective July 1, 2004. The Department of Health and Welfare agrees with the results of the audit and will pass the information from the audit to Vocational Rehabilitation. Department of Health and Welfare representatives will participate in the Vocational Rehabilitation Task Force addressing the transfer of services and the audit findings.

AUDIT FOLLOW-UP: The responsibility for community-supported employment and related services was transferred to the Department of Vocational Rehabilitation effective July 1, 2004. No further actions are needed by the Department of Health and Welfare.

STATUS: CLOSED

PRIOR FINDINGS AND RECOMMENDATIONS

PRIOR FINDING #FY03-1: The Department does not pursue absentee parents to recover Medicaid costs as required by federal regulation.

We recommended that the Department take steps to develop and implement a strategy to pursue and recover Medicaid costs from absentee parents. Efforts should include identifying children on Medicaid who have an absentee parent resource and seeking data from the child support program or other sources to locate the absentee parents and pursue recovery of Medicaid costs.

Department's Previous Response: The Department is undertaking a study to capture the costs associated with pursuing on-going medical costs from absentee parents who do not have insurance coverage. Based on the results of that study, the Department will either begin pursuing those costs or seek a cost effectiveness waiver from the Centers for Medicare and Medicaid Services (CMS).

AUDIT FOLLOW-UP: The Department continues to evaluate the legal limitations and potential costs and recoveries of pursuing absentee parents for ongoing Medicaid costs. The organizational structure of the Department is also being evaluated to determine the best location for this type of recovery effort.

CURRENT STATUS: OPEN

PRIOR FINDING #FY03-2: A computer system edit was removed, that allowed the erroneous payment of several million dollars.

We recommended that the Department evaluate all claims paid during the period when the date edit was removed and identify the amounts paid beyond the time limits imposed by federal regulation. Efforts should then be taken to either seek a recovery from providers or initiate a dialog with the federal grantor to resolve the potential questioned costs.

Department's Previous Response: The Department acknowledges the audit finding that some of the amounts paid were beyond the time limits imposed by federal regulations. The Department has established a team to review all of the disputed claims and is discussing, with the federal grantor, the amount of costs disallowed. The Department believes the amount disallowed will not be as much as the audit finding identified and will resolve this finding by May 2004.

AUDIT FOLLOW-UP: The federal grantor issued a letter dated August 11, 2004, stating that several changes are needed to the Department's processes and controls for paying provider claims in a timely manner. The Department submitted a corrective action plan and will seek clarification from the federal grantor on appropriate processes to establish. The return of federal funds is not requested by the federal grantor at this time.

CURRENT STATUS: CLOSED

PRIOR FINDING #FY03-4: Eligibility for all Medicaid clients is not supported by the primary eligibility system.

We recommended that the Department implement procedures to reconcile the eligibility data in the EPICS and AIM systems. Efforts should include identifying and resolving variances and ensuring that all periods of eligibility are properly recorded and documented.

Department's Previous Response: The Department is implementing a new eligibility system called Case Management Information System (CAMIS) that will better manage eligibility requirements, reduce differences between AIM and EPICS, and ensure accurate determination of the coverage group. The new eligibility system will be phased in beginning November 2004. The Department will review its reconciliation reports and resolve any outstanding eligibility discrepancies.

AUDIT FOLLOW-UP: The Department continues to work on developing changes and enhancements to the existing eligibility system to reconcile the data in the AIM and EPICS systems. The introduction of two new Medicaid coverage groups, CHIP-B and ACCESS, in July 2004, has required additional modifications and altered system designs and time frames. The primary issues of this finding have been addressed, and we will continue to monitor the eligibility system in subsequent audits.

CURRENT STATUS: CLOSED